

CALIFORNIA DAIRY CAMPAIGN

February 15, 2006

David Ikari, Branch Chief
Dairy Marketing
California Department of Food and Agriculture
1220 N Street
Sacramento, Ca. 95814

RE: Dairy Institute Petition for a Class 4a and 4b Hearing

Dear Mr. Ikari:

The California Dairy Campaign (CDC) is requesting that the department not grant a hearing petitioned for by Dairy Institute. The petition is requesting changes to the Class 4a and 4b pricing formulas that CDC considers to be unjustified.

Already the California Class 4b price is lower than the Federal Order Class III price. Producers are facing considerable uncertainty due to the fact that producer income is declining steadily. Adoption of the DI petition would decrease producer prices even further and jeopardize the future of many dairy operations throughout the state.

The CDC is opposed to Dairy Institute's petition because we do not believe the manufacturing cost allowance paid by producers to processors should be increased when the producer's cost of production is nearing an all time high. Already producers are paying record high hay prices as well as rising fuel prices. Additionally, producers are paying multiple surcharges on all feed purchased to cover the higher fuel costs necessary to produce and transport feed. Producers are unable to pass on any of these higher costs under the current system.

Therefore, we do not believe CDFA should adopt the changes to the milk pricing formulas proposed by DI. Instead of petitioning for changes to the pricing formulas, processors should seek to recoup some of their rising costs from the marketplace.

We appreciate your attention in this regard.

Sincerely,



Andy Zylstra
President
California Dairy Campaign